Written Question

Sarah Wollaston (Totnes, Conservative)

To ask the Secretary of State for Business, Innovation and Skills what support his Department provides to (a) reduce the burden of (i) taxation and (ii) administration on and (b) increase the rates of lending to small rural businesses.

David Gauke (Exchequer Secretary, HM Treasury)

I have been asked to reply.

To reduce the burden of taxation on small business, the Government announced in the June 2010 Budget that it will reduce the small profits rate of corporation tax from 21% to 20% from 1 April 2011. This reduction will enable approximately 850,000 companies with profits below Â£300,000 to retain a greater share of their profits to reinvest. For small business with employees, the Government announced, from April 2011, a rise in the secondary threshold for national insurance contributions and income tax personal allowance. These measures will reverse the impact of the previous Government's planned Â£6 billion a year rise in the taxation of labour and will reduce the amount the government takes, from what an employer sets aside to cover wages, before it becomes take-home pay.

The Government launched the independent Office of Tax Simplification in July 2010 and tasked them with a review of tax reliefs and a review of small business taxation. The Office of Tax Simplification's final report on tax reliefs was published on 3 March while the interim report on small business taxation was published on 10 March. The Government will respond to these reports at Budget. The Government is committed to simplification and easing the burden of tax administration on business.

On 9 February the Chancellor announced a new lending commitment by the UK's biggest high street banks. As part of these commitments:

The banks intend to lend Â£190 billion of new credit to businesses in 2011, up from Â£179 billion in 2010. If demand exceeds this, the banks will lend more. Â£76 billion of this lending will be to small and medium-sized Enterprises (SMEs). This is a 15% increase on 2010 lending of Â£66 billion.

The banks have also proposed to increase the size of the Â£1.5 billion Business Growth Fund (set up by the British Bankers Association Taskforce), announced in October last year, which will invest in small businesses with strong growth potential. The four major UK banks had already pledged Â£1.5 billion to the Business Growth Fund. They have now committed to increase its capital by a further Â£1 billion over the next three years, front-loaded over the next two years so that more help can be given to businesses sooner. This will increase the amount of equity investment allocated to SMEs, at the same time helping to attract further bank lending to these businesses.
These measures apply to all small businesses, including rural small businesses.

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